



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 4/27/2005

**GAIN Report Number:** AR5013

## Argentina

## Tobacco and Products

## Annual

## 2005

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**Report Highlights:**

As a result of a large carry-in from 2004, a stable high production level, and somewhat lower domestic consumption, Argentine tobacco exports in Marketing Year (MY) 2005 are expected to be a record 97,000 metric tons. The main markets are expected to be the United States, Paraguay, Belgium, and Germany. Production for 2005 is estimated at 157,000 tons, similar to the previous year.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Annual Report  
Buenos Aires [AR1]  
[AR]

**SECTION I. SITUATION AND OUTLOOK**

Argentine total tobacco exports for marketing year (MY) 2005 are expected to increase to a record 97,000 metric tons (MT) as result of large carry-in from MY2004, stable high production level, and lower domestic tobacco use. In general the weather in the producing areas was dry, somewhat negatively affecting leaf quality. FOB prices are expected to be marginally lower than last year. Tobacco exports in MY2004 totaled 90,500 tons, valued at \$184 million. The United States was the largest market, accounting for 24 percent of the total volume, followed by Paraguay with 19 percent and Belgium with 16 percent. The following table shows Argentine tobacco exports in MY2004 by type of product:

HTS Code	Description	Volume (MT)
240110	Not Stemmed Tobacco	6,500
240120	Partly or Wholly Stemmed Tobacco	59,000
240130	Tobacco Refuse	25,000

Despite a drop in production, MY2005 flue cured exports are anticipated at 55,000 MT, higher than last year as result of a large carry-in from the MY2004 crop. Hail in Salta province and drought in Salta and Jujuy cut producers' expectation of higher output. The quality of Argentina's flue cured is reported to be between average and good. The main markets for this type of tobacco (strip and refuse) most likely will be Paraguay, Belgium, the United States and Germany.

Exports of burley in MY2005 are expected to be a record at 37,000 tons. While Tucuman province produced a similar volume as last year, Misiones province, which focuses primarily on the export market, produced a bumper crop. Misiones' leaf quality is reported as average to good, and somewhat lighter than normal. Quality in Tucuman is average. The main markets for Argentine burley (strip and refuse) are expected to be the United States, Belgium, and Germany.

Exports in MY2005 of other type of tobacco, which in the case of Argentina is dark air and sun cured (locally known as Creole), are estimated at about 5,000 tons. This tobacco is mainly produced in Corrientes and Misiones. The main market is the United States, followed far behind by Uruguay, France, and Belgium.

In 2002 the government implemented export taxes in order to collect much needed revenues to finance social domestic programs. Tobacco exports were taxed at 10 percent. Although there have been rumors that they would be reduced or eliminated, they continue at the same level. Export rebates on unmanufactured tobacco are at 2.7 percent and import duties for shipments outside the Mercosur region are 14 percent.

Total tobacco production in MY2005 is estimated at 157,000 MT (green weight), practically the same as last year. However, flue cured will drop about 5,000 tons and burley will increase that same volume. The four main tobacco-producing areas (Salta and Jujuy; Tucuman; Corrientes; and Misiones) were all negatively affected by dry weather. Yields in general were good, but quality was somewhat lower than last year. Hail in Salta affected approximately 1,000 hectares. The buying season began in December 2004 and will finish by May 2005.

The following table shows planted area and production per type of tobacco for the last three years:

Product	Area (Hectares)			Production (MT)		
	2003	2004	2005	2003	2004	2005
<b>Flue cured</b>	35,000	40,800	42,000	70,300	91,200	86,600
<b>Burley</b>	30,000	37,000	36,000	38,800	56,400	61,000
<b>DASC</b>	6,500	7,500	6,400	5,200	8,100	7,800
<b>Light AC</b>	600	900	900	1,600	1,600	1,600
<b>Total</b>	72,100	86,200	85,300	115,900	157,300	157,000

Tobacco domestic consumption is projected to fall somewhat in MY2005 due to three factors. First, cigarette output is expected to fall somewhat as result of the significant increase in cigarette prices. The government's demand for collecting more from cigarette sales, made prices increase more than 60 percent in 2002-04. Apart from somewhat affecting total cigarette demand, it encouraged more smuggling and the creation of new small local cigarette companies, which sell lower quality products at very competitive prices. The local industry estimates that smuggling in the past two years increased, currently representing about 15 percent of the total domestic market. Second, a smaller use of tobacco per cigarette. And lastly, significantly lower exports of cut rug, tobacco conditioned for cigarette manufacturing, to neighboring countries (especially Paraguay).

Two large international companies, Philip Morris and BAT, which together account for more than 90 percent of the market, form the local cigarette industry. Some unofficial estimates indicate that small local cigarette manufacturers nowadays represent between 5-10 percent of the market. These companies, which include one of the large provincial cooperatives, sell their cigarettes at much lower prices, as much as half the price of an inexpensive well-known brand.

A few months ago a Chinese company announced that it would invest in the construction of a cigarette manufacturing plant in Jujuy, in conjunction with the local cooperative. However, some sources are doubtful that this will finally be done.

Although tobacco stocks are difficult to estimate accurately due to the confidentiality of the information and the confusion with committed and shipped tobacco (many foreign tobacco buyers prefer to stock their purchases in Argentina, which has a lower cost, and ship in as they need the tobacco), post estimates that ending stocks for MY2005 will be close to 50,000 tons. More than half of the volume is estimated to be in the hands of local cigarette manufacturers and the balance in cooperatives and dealers' warehouses.

## SECTION II. STATISTICAL TABLES

**PSD Table**

Country Commodity	Argentina Tobacco, Unmfg., Total (HA)(MT)					
	2003 USDA Official	Revised Estimate [1]	2004 DA Official	Estimate [1]	2005 DA Official	Forecast Estimate [1]
Market Year Begin	01/2003		01/2004			01/2005
Area Planted	72100	72100	86200	86200	0	85300
Beginning Stocks	25600	51200	18100	34200	31400	44600
Farm Sales Weight Prod	115900	115900	154300	157300	0	157000
Dry Weight Production	97000	97000	128000	128500	0	128100
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	1500	1500	1400	3000	0	3000
TOTAL Imports	1500	1500	1400	3000	0	3000
TOTAL SUPPLY	124100	149700	147500	165700	31400	175700
Exports	78400	78400	79000	90500	0	97000
Dom. Leaf Consumption	23600	35600	35700	27600	0	27000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	4000	1500	1400	3000	0	3000
TOTAL Dom. Consumptic	27600	37100	37100	30600	0	30000
TOTAL Disappearance	106000	115500	116100	121100	0	127000
Ending Stocks	18100	34200	31400	44600	0	48700
TOTAL DISTRIBUTION	124100	149700	147500	165700	0	175700

## PSD Table

Country	Argentina					
Commodity	Tobacco, Unmfg., Burley (HA)(MT)					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin	01/2003		01/2004		01/2005	
Area Planted	0	30000	0	37000	0	36000
Beginning Stocks	0	14600	0	11500	0	11000
Farm Sales Weight Prod	0	38800	0	56400	0	61000
Dry Weight Production	0	31000	0	42100	0	47000
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	400	0	400	0	400
TOTAL Imports	0	400	0	400	0	400
TOTAL SUPPLY	0	46000	0	54000	0	58400
Exports	0	24000	0	34600	0	37000
Dom. Leaf Consumption	0	10100	0	8000	0	7900
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	400	0	400	0	400
TOTAL Dom. Consumptic	0	10500	0	8400	0	8300
TOTAL Disappearance	0	34500	0	43000	0	45300
Ending Stocks	0	11500	0	11000	0	13100
TOTAL DISTRIBUTION	0	46000	0	54000	0	58400

## PSD Table

Country	Argentina					
Commodity	Tobacco,Unmfg.,Flue Cured (HA)(MT)					
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [	Estimate [	DA Official [	Estimate [	DA Official [	Estimate [
Market Year Begin	01/2003		01/2004		01/2005	
Area Planted	0	35000	0	40800	0	42000
Beginning Stocks	0	29600	0	20000	0	29900
Farm Sales Weight Prod	0	70300	0	91200	0	86600
Dry Weight Production	0	61600	0	79500	0	75500
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	1000	0	1000	0	1000
TOTAL Imports	0	1000	0	1000	0	1000
TOTAL SUPPLY	0	92200	0	100500	0	106400
Exports	0	48700	0	50600	0	55000
Dom. Leaf Consumption	0	22500	0	19000	0	18600
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	1000	0	1000	0	1000
TOTAL Dom. Consumptic	0	23500	0	20000	0	19600
TOTAL Disappearance	0	72200	0	70600	0	74600
Ending Stocks	0	20000	0	29900	0	31800
TOTAL DISTRIBUTION	0	92200	0	100500	0	106400